



A FIVE-YEAR RESEARCH AGENDA FOR 2000-2004

PIDS Mandate and Clients

PIDS was established in September 1977 with the mandate of providing a research base to support the formulation of plans and policies for sustained social and economic development. The major clients of PIDS include the public sector, covering all branches and levels of government; the academic community; the private sector, composed of private business and other organized groups like NGOs; and the media.

Each of these major clients uses PIDS research differently, as follows:

Public sector – needs policy research from PIDS as background for policymaking and for better understanding of impacts of alternative policy directions.

Academic community – uses PIDS research for instruction and training purposes and as basis for further research.

Private sector and general public – uses PIDS research to better understand policies and policy alternatives affecting them.

Media – uses PIDS research as basis for communicating, analyzing and explaining public policies to the general public.

In general, then, PIDS must constantly strive for **relevance** and **timeliness** in the research it undertakes. It has been noted in the past that the Institute is better placed to undertake research on “long-term” policy issues as opposed to “fire-fighting” types of activities. The latter were deemed to be better undertaken by the policy analysis units of specific government agencies (Research Advisory Committee Meeting, 1990). On the other hand, agencies have continued to express a strong need for immediate research support in their day-to-day “fire-fighting” tasks, indicating low in-house capabilities for research and policy analysis. This is a situation that PIDS cannot ignore and must thus seek ways to address, at least partially.

Past PIDS Research Thrusts

In over two decades of its existence, PIDS has pursued development research under several broad themes, most of which have defined the broad categories of its research agenda, namely:

- Employment, Human Resource Development and Technology
- Resource Mobilization
- Agricultural and Industrial Development and Trade Policy
- Poverty, Income and Wealth Distribution
- Regional, Rural and Urban Development
- Natural Resource and Environment Management
- Energy and Infrastructure Development
- Macroeconomic Policy

While the past five-year research agendas have included either most or all of the above themes, priorities and focus have varied within these categories in specific years. For example, tariff reform dominated the Institute's research output in 1986-87. Credit markets received much attention in 1988. In 1993, a dominant topic was streamlining the bureaucracy while health sector reform was a dominant subject in 1994-95. Invariably, the particular year's focus was influenced to a large extent by external funding made available for specific research programs. To a certain extent, such funding availability was also indicative of priorities within the particular period.

In general, the External Review Committee commissioned by the Institute in 1997 established that PIDS has been able to satisfactorily serve its avowed purpose. At the same time, the Committee identified areas for further improvement.

Contributions of PIDS Research to Policy-making

Through the years, the Institute has contributed to the formulation and implementation of a number of national policies. For instance, under the trade and industry sector, the Institute's study on the *Industrial Promotion Policy in the Philippines* in 1979 recommended measures for the industrial restructuring in the country. The study was completed at a time when the first structural adjustment loan from the World Bank was being negotiated and was considered to be a critical input to that undertaking. The Institute was also involved in the preparation of the so-called "Yellow Report" during the Aquino administration which aimed at identifying its agenda for reforms. The recommendations in this report were used as inputs in the preparation of the Philippine Medium Term Development Plan of 1987-1992. The Institute was likewise actively involved in the preparation of a report for the country's accession to the World Trade Organization (WTO) and the country's commitment to the Asia-Pacific Economic Cooperation (APEC). Under the latter, the senior research staffs of the Institute participated in the drafting of the Manila Action Plan for APEC in time for the 1996 APEC Leaders' Summit in Subic.

In 1998, the Institute led the conduct of industry studies aimed at determining the likely impact of the Early Voluntary Sectoral Liberalization (EVSL) scheme on the fifteen sectors identified. These studies were undertaken in response to the call of the WTO/AFTA Advisory Commission for assistance in order to define the government's position and strategy in the country's participation in the EVSL initiative.

Under the agriculture sector, the Institute was able to provide valuable inputs in the government's restructuring efforts through its study on *Economic Policies and Philippine Agriculture* which reviewed the impact of macroeconomic policies on the sector. The PIDS likewise looked into the overall dynamics of rural development and the methods of developing the rural sector to maximize its potential contribution to the economy. The Institute's recommendations, made under the project, *Dynamics of Rural Development*, were targeted at helping the government formulate adjustment mechanisms and policies that would reduce the possible disruptive effects of the Comprehensive Agrarian Reform Program (CARP) in the rural community.

In terms of fiscal policies, the Institute provided assistance to the Bureau of Internal Revenue (BIR) in the early '80s in formulating policies aimed at attaining maximum efficiency and increased tax collection. The econometric model for forecasting national and regional tax collections and the evaluation of the gross income taxation scheme were believed to have assisted the BIR in determining the flaws in its systems. Under monetary policies, the Institute's findings from the *Research Project on Rural Finance* were found to be useful in the review of various banking policies like restrictive entry, branching regulations and rural lending schemes. They also provided inputs to Congress in its deliberation of legislative bills with regard to financial intervention in the rural sector. The PIDS was also active in providing crucial information on financial sector reforms, particularly in the passage of the Central Bank Act, the General Banking Act, and the entry of foreign banks.

Under natural resources and environment policies, the Institute led and coordinated the preparation of the Philippine country report for the Asian Development Bank funded project on *Economic Policies for Sustainable Development: Implementing the Brundtland Recommendations for Selected Developing Member Countries* in 1990. The report served as basis for the country's implementation of relevant recommendations in the Brundtland Report.

In terms of the social sector, the Institute implemented a major project entitled *Baseline Studies on Health Care Financing* aimed at formulating a core policy reform package for the country's health care financing system. The Institute's various models in population, meanwhile, are currently being used by other government agencies in their respective planning and monitoring systems. These models include the *Annual Macroeconometric Model* and the *Population and Development Planning Model*.

Future Trends Shaping Development Challenges in the 21st Century

As it enters a new century and millennium, the Institute is reassessing and reprioritizing its research directions in order to maximize its usefulness to the overall development community. In doing so, it is important to examine the circumstances in the Institute's external environment that bear on the directions for development research in the country.

Global and Regional Trends

As the premier development "think-tank" in the country, PIDS must be strategic and outward-looking both in its overall research agenda and in the conduct of individual research projects. Thus, an examination of global and regional forces and trends should be the starting point for the formulation of the Institute's research agenda as it enters the new century and millennium. What are these elements in the external environment beyond the country's control that the country's development strategy must respond to? What influence should these have on the Institute's research?

While characterization of the external environment and analysis of their implications for the country should in itself be the subject for careful research, the following are overall trends at the international level that may be readily identified:

- Globalization and heightened economic competition
- Strengthening of regional groupings/blocs
- Asia-Pacific prominence/dominance in the world economy
- The ascension of China in the Asian and world arena
- Growing role of services industries
- The information technology (IT) revolution
- Heightened global concern for sustainable development

Each of these would have to be considered in identifying priority issues for Philippine development as well as the research that need to be done to improve the country's capability to address them. Clearly, globalization and shifting geopolitical and economic forces in the region should influence the country's priorities towards more openness and an outward-looking orientation. The country likewise cannot afford to be out of step with the shifting composition of the world economy and the opportunities that it presents. At the same time, the development agenda must be forward-looking and concerned with long-term sustainability while addressing short-term concerns.

Domestic Trends

On the domestic front, trends that are worthy of consideration have come out of dynamic changes that have occurred within the past decade and earlier. Major economic reforms (e.g., trade, investment and financial liberalization, deregulation of key economic sectors, tax reforms, etc.) have exposed the country's productive sectors to both the challenges and opportunities of

international competition. The devolution, decentralization, democratization and deregulation processes have empowered local governments, civil society and the private sector to take more direct responsibility for development. The telecommunications and information technology revolution has helped bridge the gap among geographical regions and social classes. The pressures from past environmental neglect have brought about a new consciousness for sustainable development among the broad sectors of Philippine society.

Through it all, poverty incidence remains high, and the agricultural sector remains relatively backward. Weaknesses in governance, both in the public and private corporate sectors, are increasingly impinging on development processes. And peace and order remains a major challenge, notwithstanding gains made in recent years in reaching settlement with rebellious groups (with reversals in such gains apparent in some cases).

Thus, a strategic approach to plotting the country's future entails a careful balancing of external strategic concerns with internal imperatives. The breadth and scope of the development challenge has expanded on both ends of the spectrum: on one hand, the need to be global in outlook, and on the other, the increased significance of local and grassroots initiatives for development.

Priority Issues Influencing Development Research Directions in the Philippines

In the development of the research agenda in the medium term, it was determined at the outset that the logical approach would be to derive its directions primarily from the 1999-2004 Medium Term Philippine Development Plan (MTPDP) in order to be attuned to the country's development strategy. It should also involve a review of past research studies of both PIDS and other research institutions, of past research programs of PIDS, of research agendas prepared by the PIDS research fellows, and a series of consultations with the Institute's stakeholders.

The consultations were grouped into broad topic areas corresponding to the chapters of the MTPDP, namely:

- Macroeconomy and Development Financing
- Human Development
- Agriculture, Agrarian Reform and Natural Resources
- Industry and Services
- Governance and Development Administration
- Infrastructure Development

Since effective and responsive research hinges heavily on the availability and quality of appropriate data, information and statistics, a separate consultation was conducted to address this issue, participated in by key representatives from the statistical community.

The series of consultations were conducted from August 1999 to January 2000 among representatives of key stakeholder groups of PIDS and other development practitioners. These were intended to elicit views on the multi-dimensional

development problems facing the nation at the turn of the century/millennium, and their implications for priority development research. While the participants were urged to focus on **research requirements** for addressing priority development issues, the consultations primarily yielded the latter (i.e., issues and needed actions/measures), and less of the former (i.e., concrete research directions). Thus, these inputs were further processed, along with other pertinent information, in order to come up with a specific research agenda for the Institute and a broader one for the larger development research community as a whole.

The medium-term development research agenda must address the priority development issues currently facing the nation, as influenced by the wider context of global, regional and domestic future trends described above. On these bases, the following broad issues have been identified as the dominant challenges.

Poverty alleviation remains the single greatest challenge facing the nation.

A crucial concern is the efficiency and effectiveness of social services delivery. In particular, *how to undertake focused targeting of public sector social services and safety nets*, and *who to target them to*, have become key questions in the face of consistently-constrained budgets for the purpose. Institutional issues that bear on the efficient and effective delivery of such services to the public are also critical, and include issues on devolution, financing, inter-agency coordination, multi-stakeholder participation and private sector roles.

Over the longer horizon, education and human resources development are a vital concern. Key issues again include devolution and financing as well as the improvement of the quality of basic education through teacher training, proper incentives, and promotion of an entrepreneurial culture. Distributional issues comprise a third major concern, including rural/urban poverty, the continuing debate on the government's CARP, and calls for more generalized asset reform from some sectors of civil society. Population and development issues, including migration, aging issues and the plight of senior citizens, also figure prominently here. Labor policy issues, including wages and incomes policy, changing labor and employment patterns under increased globalization, and labor protection and security likewise have great bearing on the poverty problem.

The forces and trends of globalization pose various challenges and opportunities to the nation.

In the aftermath of the Asian financial crisis, achieving long-run macroeconomic stability is a prerequisite to the country's being globally competitive. This requires addressing the country's low rate of savings, capital markets development, the need for stronger corporate governance, and alternative

government financing options. Competitiveness and competition policy is another area that is receiving increased attention from policy researchers and analysts. Notwithstanding gains made in recent years, infrastructure development under a situation of constrained public resources remains a crucial development challenge. And given the continuing debate on the merits of globalization, it is important to understand who the gainers and the losers are from the globalization process, both at the level of countries and groups of countries, and within individual economies.

Agricultural modernization has been accorded highest priority by the government in the pursuit of food security and broad-based growth and development.

The Philippine agriculture sector has lagged behind in the global race for productivity and competitiveness. Not even the presence of premier agricultural research institutions (e.g. U.P. Los Baños, the International Rice Research Institute) has given the country what could have been a logical edge in agricultural productivity. Clearly, the answers lie beyond technology and have often been traced to economy-wide policies and institutional rigidities. Of the former, fiscal policies, including taxation and expenditure allocation policies, have been critical, apart from the traditional issues on trade and investment policies. Of the latter, issues on devolution/decentralization, weaknesses in the agricultural credit, marketing and transport systems, and inefficient and ineffective governance structures for agriculture need to be further addressed.

The country needs to build its own development strategy around a holistic sustainable development perspective.

Past development approaches worldwide tended to be dominated by the concern for economic growth and development. As indicated earlier, there is now wide international recognition that economic policies must also consciously address sustainability in its environmental, social, political, cultural and spiritual dimensions. Technology figures prominently in the concern for sustainability, including making it environment-friendly and facilitating its transfer especially from the “haves” to the “have-nots”. Critical issues in the prudent use of natural resources and protection of the environment include water resources management, urbanization, land use and solid waste management. Adoption of a participatory and multi-stakeholder approach is now widely recognized to be crucial to the successful operationalization of sustainable development.

Transcending Issues

Cutting across the above major themes are the critical importance of **good governance** to bridge the gap between policy and implementation, and the **availability and quality of appropriate data, information and statistics** to

provide a sound basis for policy analysis and research. Issues on governance are currently in the limelight of development policy discussions, covering concerns that include bureaucratic reform, devolution and decentralization, transparency and accountability, government coordination, private-public sector partnerships, and corporate governance. The need for timely and accurate data and information for benchmarking development policy analyses is also well recognized. Particular issues include responsiveness of the statistical system to the needs of policymakers, public vs. private sector roles in data generation, need for good indicators, and streamlining of the government statistical system.

Objectives of the PIDS Research Program

The objectives of the PIDS research program flowed logically from its mandated role which include the following:

1. assist in policy formulation as well as program and project development and evaluation through the assessment of the effects of policies, programs and projects on the country's development goals and the generation of a greater understanding of the socioeconomic development process;
2. help in improving planning methods and monitoring approaches; and
3. help in anticipating future bottlenecks and designing strategies to cope with them.

These goals should be operationalized within the framework earlier cited based on emerging and future trends in the development policy environment and the priority issues influencing research directions in the country.

The PIDS Research Agenda: Thematic Areas

The PIDS research agenda for year 2000-2004 consists of eight (8) general thematic areas. Under each theme are priority research programs with their corresponding specific research topics. These research topics have been identified through a highly consultative process as critical issues for the next five years and for which the development research community should look into. The needs and demands for research are broad and diverse but the Institute is only capable of carving a niche in a few priority areas. These areas are where the assistance of PIDS can be fully utilized and where it can be at the forefront of the development research community. In the attached document, the specific research programs and topics that the Institute will concentrate on are presented.

As always, the new set of research agenda is not meant to be rigid or cast in stone. A process of continuous review, periodic evaluation and revision of the research program is considered part of this process.

The following is a description of each thematic area in the PIDS research agenda. The specific research issues/topics that would either be undertaken by PIDS alone or in collaboration with affiliate researchers or those that would best be relegated to other research institutions by virtue of their respective expertise on the

particular issue are presented in Table 1. More detailed terms of reference will have to be drawn up for each of these specific research topics.

Macroeconomic Management in a Globalized Setting

The trends and developments in the external environment strongly determine the direction of a country in addressing its own internal development concerns. As it aims to be strategic and outward-looking in its research focus, the Institute would have to be able to anticipate changes and forces beyond the country's control in order to derive maximum benefit from forces it can control. An important factor in its control is the way it manages macroeconomic fundamentals in the midst of a globalized setting. Under this theme, resource mobilization is a vital aspect covering the conduct of monetary and exchange rate policies; financial sector development; savings and investment; and fiscal policies. Specific research topics under monetary and exchange rate policies include the development of a framework for monetary policy resulting from an analysis of conceptual issues such as money demand and financial market integration and determining alternative transmission mechanisms for monetary policy. Financial sector development covers capital market development with the derivatives and securities markets and pension system as locus of the study; international and regional cooperation in financial services; linkage between liberalization and macroeconomic stability; the payments system; and microfinance issues.

Determining measures to increase the savings rate is a major issue under the program on savings and investment, while research on fiscal policies would involve tax policy analysis, public expenditure analysis and public debt management.

Competitiveness and Competition Policies

Influential factors in the pursuit of international competitiveness are domestic regulations and policies that provide an enabling environment for competition, and the increased capacity of the factors of production such as labor and technology. Quite a number of research issues under an overall program of competition policies has been identified as follows: trade in services that would involve a review of selected services sectors (civil aviation and shipping); impact of continuing trade reforms as one of the issues on trade and industry; assessment of investment policies by looking at the determinants of foreign direct investment as well as the liberalization process and investment behavior; issues on competition that would include a review of government policies with anti-competition effects, analysis of competition policy for key economic sectors (telecoms, banking and financial services, civil aviation, retail trade, power, oil, shipping) and assessment of Philippine anti-trust legislation.

Another major program focuses on global and regional groupings that leads to the reassessment of strategic niches for the Philippines in the regional and global economy; the evaluation of the BIMP-EAGA; analysis of alternative regional cross borders cooperation schemes as well as of opportunities and challenges arising from the Asian-Europe mechanism; and examination of WTO, APEC and AFTA-related issues.

Human resource development and labor concerns as components towards competitiveness is the third major research program under this theme. This would necessarily involve the assessment of HRD programs; benchmarking of educational curriculum, appraisal of labor mobility and standards; a study of industrial relations, and conduct of wage-income analysis. Meanwhile, research and development and science and technology as catalysts of increasing productivity requires an investigation on productivity measurements, patents and intellectual property rights; establishment of a framework of institutional set-ups; and looking at the incentive structure for the private sector.

An exciting new program area under this theme pertains to the knowledge economy. This involves an assessment of the state of information technology in the Philippines; an exploration of the structure and processes of e-commerce; and, a look at human resource issues under the so-called K-economy.

Governance

Issues on governance gain prominence due to the recognition that weaknesses in the public sector have been a formidable obstacle to development in most poor countries and lead to high degrees of vulnerability of even stronger economies to global market forces, as exemplified in the Asian financial crisis. Under the new development research agenda, it is crucial that the enabling environment be present for stakeholders in the development processes to succeed and an improvement of systems and procedures in the public sector to exist. Corporate governance such as the bankruptcy law and regulation and enforcement as well as a process audit of government regulations affecting the corporate sector are essential factors to establish an enabling environment. Meanwhile, a look at budget reform focusing on absorptive capacity and political economy of the budget process; tax evasion; combating corruption; reengineering/streamlining the bureaucracy, including the formulation of a performance evaluation system; and issues on decentralization such as local government finance, IRA and horizontal/vertical balance, and matching grants are major research topics under the program on systems and procedures in the public sector.

Social Sector Reform

Clearly a top priority of the government and a crucial developmental concern particularly in an environment of continuous macroeconomic adjustments, this research area focuses on the sector that is ultimately affected by both beneficial and negative impact of economic policies. Research programs identified under this theme include equity and efficiency issues, social security and safety nets, and population issues.

Under equity considerations, the priority issues include the formulation of targeting mechanisms; assessment of the country's global commitments, alternative instruments for asset reform, utilization of the poverty alleviation funds and the effectiveness of CARP; development of poverty profiles; and the establishment of baseline studies on benefit incidence of government social service expenditures. Efficiency issues, meanwhile, would involve looking at the

role of government, LGUs and the private sector; financing and delivery of social services, and the cost effectiveness of government programs. The constitution of unemployment insurance and pension funds should also be examined as vital components of social security and safety nets programs. The effective modes of delivering family planning and rural-urban migration are the prevailing concerns under population issues.

Infrastructure Development

One of the foundations for sustainable development is having the appropriate infrastructure support. Under the current MTPDP, the government is committed to pursuing further industry reforms to encourage greater private sector participation in infrastructure development. At the same time, it also aims to strengthen the supervisory capabilities of concerned government agencies to safeguard public interest and to uphold the integrity of project-related transactions. Although there will be increasing reliance on market forces and fair market competition in the delivery of infrastructure services, public welfare, safety, and environmental quality will continuously be protected. Within this environment, the government will still be the provider of last resort with respect to basic infrastructure in the rural areas.

Under this framework, the need to look at government regulations on major infrastructure and utilities is apparent as well as the investigation of issues on planning and public expenditure allocation. A specific research area under the state of government regulations in the infrastructure sector is the analysis of current and emerging trends in ports, water, power, and roads. In terms of the program on expenditure allocation and financing instruments, major undertakings include the review of producer and consumer behavior and a look at investment planning and programming. The latter should be aimed at formulating infrastructure indicators and factor measurements towards improved planning and programming (road density/road population ratio analysis).

Modernizing Philippine Agriculture

Agriculture remains to be part of the development research agenda given the priority accorded to it by the government. The modernization of Philippine agriculture is a crucial aspect of any development effort considering that the rural poor, comprising the majority of the population, rely on agriculture for employment and livelihood as well as for ensuring food security for the entire nation. In the next five years, the research programs under this theme are: supply-demand trade analysis; macro policy issues; public expenditure programs; regulatory policy instruments; and institutional issues.

Research issues comprising the program on supply-demand trade analysis are the analysis of producer and consumer behavior; tracking the performance of national and regional levels; and projections of supply and demand. Trade and exchange rate policies; financial credit and interest rate policies; allocation of public expenditures in agriculture; efficiency of budgetary process; and competition policy issues in agriculture are the specific points of interest under macro policy issues. The Institute will continue with its studies on research, development and

extension; research prioritization; evaluation of potential for technology adoption; monitoring, evaluation and impact analysis; irrigation; and, production, price stabilization and other expenditure programs as main concerns under the program on public expenditure.

Meanwhile, the program on regulatory policy instruments would carry out studies on the regulation for the protection of food safety, human, plant, animal health, and environment in general as well as on the fisheries sector. Property rights; product, labor and other input market efficiency issues; and bureaucratic reforms are main issues under the program on institutional issues.

Environment and Natural Resource Management

As a factor towards sustainable development, comprehensive research on environment and natural resource management is imperative. Priority research programs would revolve around economic policies; technology issues; operationalizing NREs; and industry-based concerns. Under the first program, the implications of trade and industry policy reforms and the impact of macro adjustment policies will be examined. A look at environmental goods and services and environmentally-preferable processes and products would be the major concerns of the program on technology issues. Meanwhile, pricing of natural resources; property and use rights issues; market-based instruments for environmental management; enforcement and monitoring of environmental regulations; and analysis of global environmental commitments and compliance are the issues under the program on operationalizing NREs. In terms of the program on industry-based concerns, an assessment of the environmental impact of large-scale and small-scale mining is in the offing.

Policy Analysis, Planning Tools and Monitoring Systems

Comprehensive, in-depth and strategic studies require the appropriate tools in order to come up with empirically sound, credible findings, and feasible policy recommendations. This research theme on policy analysis, planning tools and monitoring systems is actually a continuing activity of the Institute. The development and fine-tuning of short-term and long-term quantitative models would continue to be relevant and institutionalized into research operations. And the establishment of the economic and social database, the geographical information systems and the economic surveillance system would be further strengthened.